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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000899

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DOE FOR GEORGE PERSON
DOE FOR AL HEGBERG
DOE FOR JOANNA SELLEN

E.O. 12958: DECL: 03/18/2018

TAGS: ECON ENRG PARM PREL EXEC POL

SUBJECT: TUWAITHA YELLOW CAKE SALE NEGOTIATIONS UPDATE

Classified By: AMBASSADOR C.RIES FOR REASONS 1.4(B),(D),AND (H)

¶11. (C) SUMMARY: Energy Attaché Parks (Parks) (together with Energy Officer Albert Walgreen (3/7) and MNFI's Colonel Henderson (3/14)) met with Science & Technology Minister Fahmi (Fahmi) on March 7 and 14, respectively, to receive updates on GOI's sale contract negotiations for the yellow cake material (YC). Parks received a further update from Fahmi by telephone on March 18. Fahmi indicated that the Sales Committee he chairs received final approval from the Council of Ministers (COM) to enter into a YC sale contract with the Canadian company, Cameco (Cameco). He has sent Cameco a timely acceptance in principle of Cameco's offer. Fahmi believes the contract will be finalized and signed by the parties during the first week of April. He agreed to provide Post with a copy of the executed contract (and any other authorization for moving the YC) immediately following the signing. He suggests that USG should begin moving the YC to the delivery point in Canada soon after that so that 100 percent of the material will be delivered in a timely way to Cameco. (We understand from Cameco that the draft contract's end date is 6/15 for timely deliveries. Therafter the sale price drops to 86 percent of natural uranium's spot market price.) Fahmi noted the GOI received three bids, namely Cameco's winning one, Areva's, and GE/Hitachi's, fulfilling GOI's requirements for 3 bidders in such sales. The Minister said that the only outstanding contractual issue (as of 3/18) is the Cameco's letter of credit which hasn't been sent to GOI yet. DOD is talking directly with Cameco about delivery arrangements and is finalizing the payment mechanism for USG receiving its USD 14 million in cost-share from GOI. Once the proposal is finished we will deliver it to Fahmi for further handling. Fahmi is aware GOI needs to inform IAEA of the YC removal from Tuwaitha and has identified a Ministry DG to do submit the necessary paperwork. END SUMMARY.

¶12. (C) Minister Fahmi, chair of the GOI's YC Sales Committee, has received three purchase bids (Cameco, Areva, & GE/Hitachi), requested and received COM approval to accept Cameco's high bid (nominally \$90.37 million for 1.4 million lbs of natural uranium), timely accepted Cameco's bid in principle (subject to final agreement on the contract terms), and is prepared to complete and sign that contract by the end of the first week in April. He believes USG will have authorization immediately thereafter to remove the YC from Iraq and deliver it to Cameco in Canada. He wants all YC transport (to be done by the USG) completed by the end of the contract's delivery period. (Cameco has extended that period to 6/15/08.) There is one contract issue outstanding--Cameco's letter of credit (LOC)--which Fahmi expects to receive from Cameco and review soonest. He thinks the contract will be signed the first week of April and thereafter USG will be authorized to transport the YC from

Iraq to Cameco's Canadian delivery point.

¶3. (C) Fahmi indicated that certain remaining contract issues (except LOC) been satisfactorily resolved. These include Cameco's request that GOI waive its defense of Sovereign Immunity (request withdrawn); disposition of Cameco-rejected material (to be disposed of by Cameco, subject to adjustment in amount paid to GOI); and proof of origin of YC (to be resolved by assay done by independent analyst paid for equally by GOI and Cameco).

¶4. (U) DOD is currently drafting a payment mechanism whereby USG is reimbursed for USD 14 million in transport costs, agreed to by GOI and USG as cost-sharing. Post will transmit this document to Fahmi as soon as it is received from Washington. DOD is also coordinating its YC transportation arrangements with Cameco.

¶5. (U) Fahmi said he has directed his Ministry staff to quickly submit (on behalf of the GOI) the necessary IAEA notification of the YC movement from Tuwaitha.

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